DOCUMENT RESUME

ED 292 736 SO 019 031

TITLE International Operations: New Markets Abroad. Perspectives.
INSTITUTION Procter and Gamble Educational Services, Cincinnati, OH.
PUB DATE 85
NOTE 33p.; For other units in this series, see SO 019 024-032. Illustrations may not reproduce clearly.
AVAILABLE FROM Procter and Gamble Educational Services, 299 E. 6th Street, Cincinnati, OH 45202 ($1.95); complete series, $9.95).
PUB TYPE Guides - Classroom Use - Materials (For Learner) (051) -- Guides - Classroom Use - Guides (For Teachers) (052)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Class Activities; *Economics; *International Education; International Trade; Marketing; *Primary Sources; Resource Materials; Role Playing; Secondary Education; Social Studies; *United States History; Units of Study
IDENTIFIERS Canada; Germany; Mexico; Philippines; Saudi Arabia; South America; United Kingdom

ABSTRACT

During the post-war period of the 1940s and early 1950s, there was a surge in consumer demand for goods and services in the United States and throughout the world. As a result, an evolution of U.S. companies into international corporations occurred. This teaching unit, one in a series of eight, reviews the international operations of the Procter and Gamble Company. The materials used in the unit are taken from Procter and Gamble employee publications (secondary sources) and speeches by executives (primary sources) who have worked overseas. The unit focuses on international operations in Canada, the United Kingdom, Germany, the Philippines, Saudi Arabia, Mexico, and South America. Background material for each of the countries is provided. Learning activities include role playing, during which students assume the role of managers in the overseas branches. The unit also includes objectives, student handouts, vocabulary lessons, teaching procedures, and methods of using concepts to understand historical development. (SM)

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INTERNATIONAL OPERATIONS:

NEW MARKETS ABROAD. PERSPECTIVES.

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INTERNATIONAL OPERATIONS

New Markets Abroad

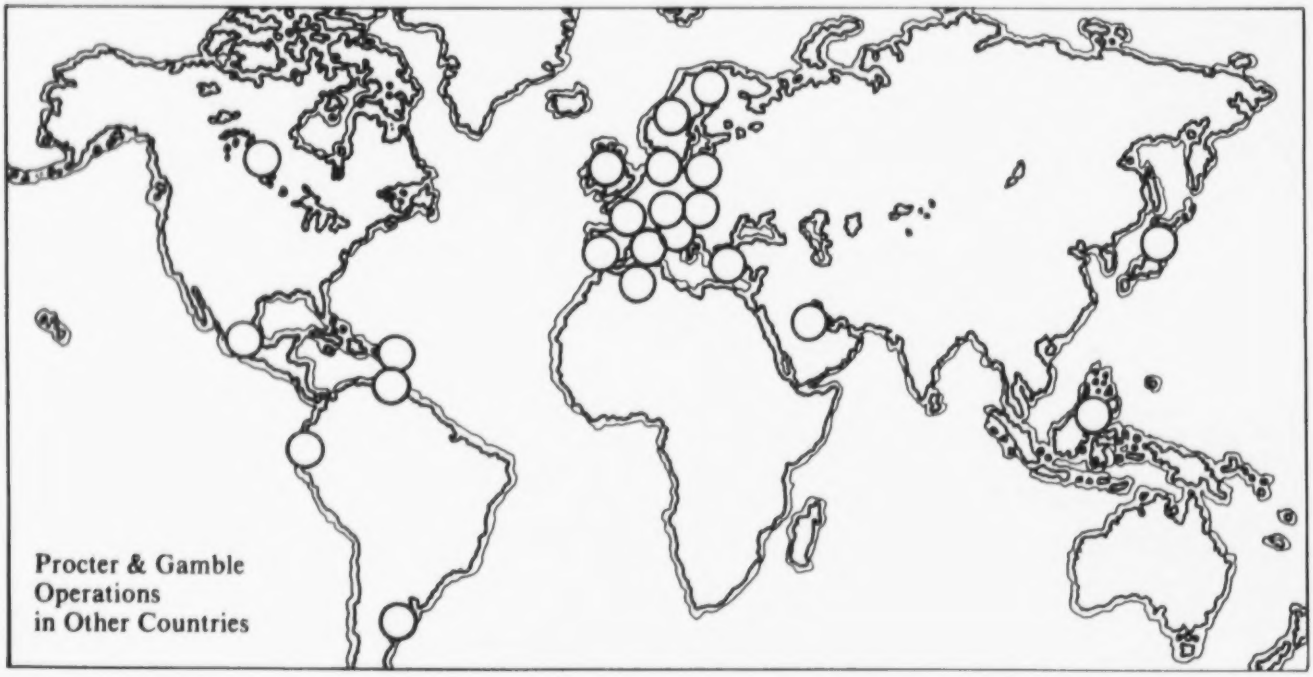
During the post-war period of the late '40's and into the 1950's there was a tremendous surge in consumers' demands for services and pre-war products that had been denied because of World War II. This was true not only in the U.S. but also in Europe, Latin America, Japan and Southeast Asia. It was a time, therefore, of international growth for many American firms.

In providing goods and services worldwide, however, companies quickly learned that it was not simply a matter of transferring what worked here. Instead, cultures, customs, laws, traditional work habits, as well as product preferences had to be considered.

This unit looks at one company's international operations. It challenges students to practice problem-solving and role-playing skills as they consider some of the questions faced.

The activities in this unit can be completed in three or four class periods. These materials can supplement teaching in such courses as American History (after covering the Marshall Plan and rebuilding of Japan), World Cultures, Business and Economics.

This unit, one in a series, is based on materials taken from Procter & Gamble employee publications (secondary sources) and speeches by executives (primary sources) who have worked overseas. This unit can be used as a model for encouraging students to look at the international operations of other companies, especially in their own communities.



Procter & Gamble Operations in Other Countries

Overview

(Chapters for high school texts on the importing and exporting of business from one country to another are, for the most part, still being written. But there is much in the daily press about international trade. This Overview presents a capsule summary of how U.S. companies expanded internationally following World War II. It provides background for the activities in the "Suggested Teaching Procedures."

Read the Overview and review all inserts before attempting activities. You will find these few minutes well spent.)

In the 1940's and 1950's, in the aftermath of World War II, a remarkable chapter in American history began to unfold. It would shrink the world as never before.

In a matter of only a few years, many American companies would expand overseas and become corporate citizens in Europe, Asia, Africa, South America, virtually everywhere. But, for the most part, these far ranging branch operations would not be carbon copies of their parent companies at home. There were important lessons to be learned about being guests in other countries, and changes to be made in our traditional ways of operating.

Two historic facts beckoned U.S. companies onto the international stage.

One was a modern version of an old story—development of fast, reliable transportation. As railroads earlier had helped bring widespread American cities and people within closer touch, jet planes now brought overseas countries and their people within hours of the U.S.

A second factor was that World War II left in its wake both a challenge and an opportunity. The challenge was to rebuild the

Sound Truck in the Philippines

countries that lay devastated, much of their industry in ruins. Factories in the U.S. had been spared the bombing, and therefore could respond quickly to the need for help. Opportunity was available to U.S. companies to establish themselves in these foreign markets, either by shipping products from factories at home or building plants overseas close to their new customers.

Whichever route an American company chose, it was to learn, quickly and unmistakably, that it could not simply export America's vaunted know-how and expect people with their own culture to adjust to our ways. Rude awakenings awaited companies that failed to understand.

The plain fact was the U.S. companies were guests. While American expertise in how to mass-produce quality goods at low cost and market them efficiently would attract customers abroad, the same as at home, such advantages would have counted for nothing if companies had not put to use another business tool called market research.

American companies had long ago adopted the practice of interviewing the public to find out what kinds of products were needed and wanted, how consumers wanted them packaged, how much the public would pay, what kind of advertising would be effective in helping people evaluate one competing product against another. This was called market research. When companies used it in the new markets overseas, they began to discover differences in consumers' product usage, preferences, even in doing everyday tasks.

Many European homemakers followed the custom of prewashing and soaking their laundry, then boiling it as they washed it. Postwar washing machines, introduced in the 1960's, automated these steps and featured a pre-wash cycle and a built-in heater which boiled clothes during the regular wash cycle. The manufacturers had to design a product that would perform

Market Research in England

effectively in all these cycles which used a wide range of water temperatures. Some householders did not feel their floors were clean unless they literally shined—so the manufacturer had to add an ingredient that produced the shine. In advertising, humor and phrases that were effective in our own country had no effect whatever in these new markets, or had a negative effect.

Another major step that virtually all U.S. companies took to help them understand their new consumers was to search out talented local people, train them in the methods that make American industry strong competitors, and then place these people in key positions in their home areas. This minimized the surprises that local habits and customs might have in store for newly arrived companies, and helped them quickly grasp what consumers wanted. It also helped them advertise in terms that were clear and meaningful, not as Americans in a strange land, but as worthy competitors rapidly fitting in and feeling at home.

Some of the experiences of one American company's operations overseas are discussed in this unit. Perhaps students can find similar companies in their locality which would be glad to recount their experiences on the international scene.

Objectives

Students who participate in this activity will be able to:

1. Identify specific ways in which businesses have adapted to cultural variations and international consumer preferences and explain why they have accepted these changes.

2. Demonstrate specific activities conducted by business aimed at furthering mutual understanding between cultures as a means of furthering the success of the business.

Suggested teaching procedure

Activity I

1. As background information for this activity:
a) Duplicate the OVERVIEW and distribute it to students to read aloud or silently. Or, make a tape recording of the text and play it for the class.

Use Vocabulary Sheet

b) The VOCABULARY sheet lists words in this unit that may be unfamiliar. You may wish to duplicate this sheet for students to use when doing the activities or have a general class review of the words in advance. (The VOCABULARY can also be used in a wrap-up or test activity).

Activity II

(Appropriate for Junior High School Students)

Use Student Sheet I

1. Explain to the class that they are Procter & Gamble managers who have been assigned overseas. Duplicate and distribute STUDENT SHEET I.

2. Tell the class that once overseas they have become members of the Executive Committee on International Operations. As such, they will be asked to resolve some of the questions/problems faced by the management of that operation.

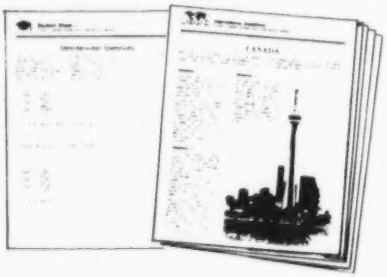
All the questions are based on real-life situations as discussed in Procter & Gamble's employee publications and speeches by executives who have worked

Ads in Saudi Arabia

overseas. Some of the situations are current; others are older because P&G's International operation dates back to 1915. The solutions may be as simple as changing advertising or as complex as developing a new product formulation. In considering their solution, the students will be expected to keep in mind the culture, as well as consumer needs. After reaching their consensus, they will be able to compare it with the decisions made by Procter & Gamble management.
(TEACHER'S NOTE: Students' decisions need not agree with Procter & Gamble's. The point of this exercise is to help students develop reasoning skills.)

3. Divide the class into groups of 5-6 students each. Each group is the Executive Committee on International Operations. Each team should elect a chairman and a secretary.

Use Student Sheet II
Use International Question Sheets I-VI



4. Give each group STUDENT SHEET II, along with an INTERNATIONAL QUESTION SHEET. Each sheet describes a situation(s) in a particular country. (Note: This activity is written so that each group works on a different country. Depending on your class/ preferences all teams could work on the same country, then compare answers.)

5. Each group will be expected to arrive at one or more possible solutions to each situation/ question. Have each group make a list of the situations/questions encountered in its country and a list of possible solutions. Be sure to stress that the solutions may be as straightforward as changing advertising or as complex as developing new products. Allow the group 15-20 minutes to brainstorm.
(TEACHER'S NOTE: If one or more groups appear to be "stuck," discuss with them a situation/ question and solution for a country other than their own.)

6. When the time is up, ask each group to list the situations/ questions in its country. Write these on the chalkboard. Then ask each group to list the solutions they arrived at for each situation.

7. Have the groups comment on each others solutions. Do they agree? Disagree? Have a different solution? Add any new solutions to the lists.

Use International Solutions I-VI

8. Distribute the INTERNATIONAL SOLUTIONS. Ask each group to study the solutions that were developed by Procter & Gamble in response to the actual situation. Ask each group to put a check mark next to those solutions it has in common with the "real" ones. For each solution the group has that P&G did not use, ask the students to state why one solution might be better than the other.

Activity III

(Appropriate for Senior High School Students.)

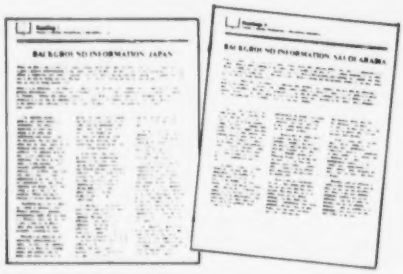
Use Student Sheet III

1. Duplicate and distribute STUDENT SHEET III (for teachers and students). This sets up a role-play activity in which students will attempt to recognize why mutual understandings between cultures are important for business success. During the course

A Pampers demonstration in England.

of the activity students will role-play the interactions between business people of two countries.

Use Background Readings I and II

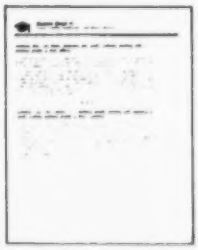


a) After students have identified cultural behaviors and practices of U.S. business people, divide the class into four groups of 6-8 students. Groups I and II will be Japanese; distribute Japanese Cultural Characteristics (BACKGROUND READING I) to each group.

Groups III and IV will be Saudi Arabians; distribute Saudi Arabian Cultural Characteristics (BACKGROUND READING II) to each group.

b) Ask students to study the cultural characteristics of the countries on their sheets. Tell them to discuss ways in which "their" country's cultural expectations could cause conflict with American cultural expectations. Explain to them that after 10-15 minutes they will be asked to nominate three members of their group to role-play business people from their "assigned" country. (The remaining members of each group will stay in the group and role-play American business people.)

Use Student Sheet IV



Shoppers in Germany.

c) Have the three nominees from each group move to a new, unfamiliar group, i.e., the Japanese trios from Groups I and II exchange places with the Saudi Arabian trios. Give each trio a copy of SCENARIO ONE: the situation for the Hosts (STUDENT SHEET IV).

The remaining members of each of the original four groups will role-play U.S. business people visiting the host countries. Give them a copy of SCENARIO TWO the situation for the visitors (STUDENT SHEET IV).

d) Tell students that each role-play will last only 10 (or 15) minutes. (Be specific. Select a time length to fit your teaching schedule and stick to it.) Explain that you will stop them when their time is up.

e) Have each pair of groups perform their role-play for the class. Withhold discussion or commentary until all role-plays have been performed. Role-plays should be stopped after the designated time limit.

f) Use the following questions to help the class analyze the characteristics of each business interaction they have seen:

* In what ways did cultural assumptions lead to misunderstandings between the two groups?

* What areas of communication (subjects, activities, body language, etc.) needed improvement? List these on a chalkboard or overhead projector.

* How could these cultural assumptions and communication areas affect the successful practice of international business in different cultural settings?

g) Tell students that they are in the unique position of being able to compare and contrast informed interaction with well-meaning but uniformed interaction with different cultures. Ask them to do another series of role-plays, this time assigning each trio back to its original group. Repeat the role-playing activity. Discuss the differences between these and the first set of role-plays. Which worked better? Why?

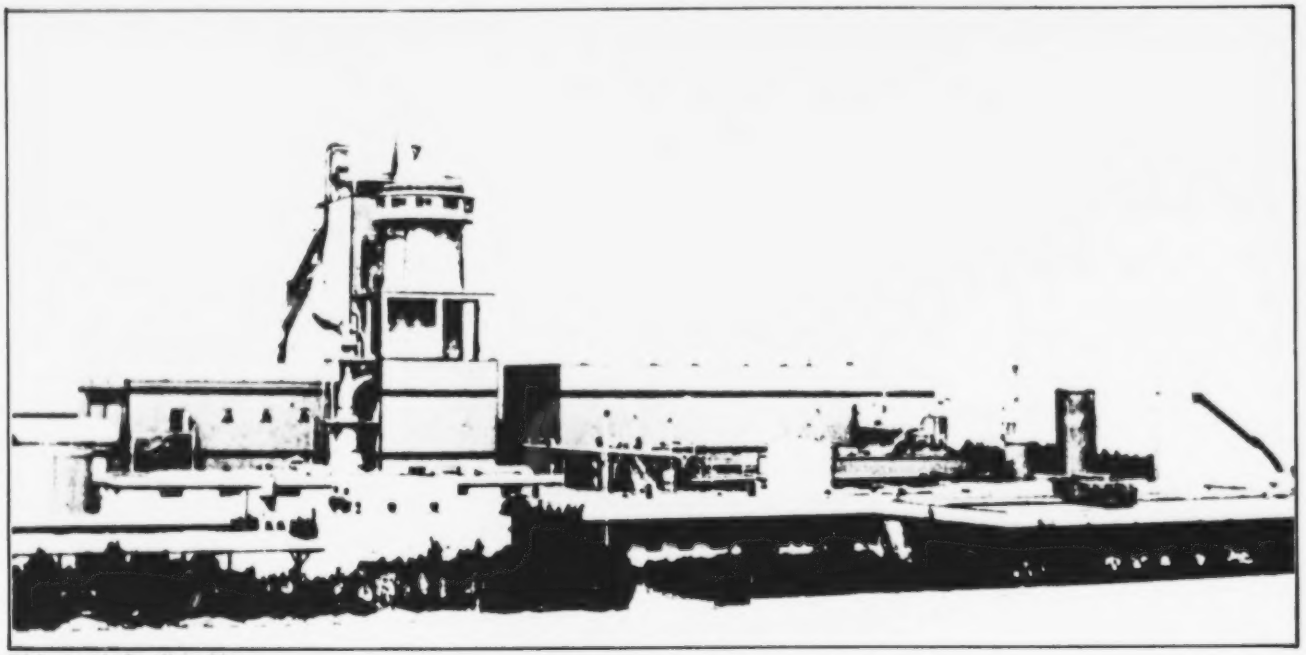
h) Discuss with the class reasons a business might choose to train employees in intercultural relations.

Expanded Activity

A review of basic economic concepts in the context of various historical periods can provide one or more clues to the how and why as well as the what, when and where of historical events.

The International unit contains examples of economic concepts as "played out" through the experience of one company. For discussion with students, see TEACHER SHEET I.

Use Teacher Sheet I



P&G plant in Saudi Arabia.

Project Advisors

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Suggested discussions and revisions for using Perspectives to discuss economic concepts in an historical context were developed by: Dr. Robert H. Highsmith, Director of Research, Joint Council on Economic Education, N.Y. and Dr. George Vredeveld, Director, Greater Cincinnati Center for Economic Education.

Perspectives units include:

Perspectives Series I: Cottages to Corporations; World War I; The Great Depression; Reflections of History.

Perspectives Series II: The Civil War; Coping with Growth (Industry in the Late 1800's); World War II; International Operations.

Procter & Gamble EDUCATIONAL SERVICES

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Procter & Gamble Operations in Other Countries

Austria: Procter & Gamble Vertriebsgesellschaft m.b.H.
Belgium: Procter & Gamble Benelux
Canada: Procter & Gamble Inc.
Procter & Gamble Cellulose, Ltd.
Chile: Laboratorio Geka S.A.
Colombia: Norwich Colombiana, S.A.
Federal Republic of Germany: Procter & Gamble GmbH
Finland: Procter & Gamble OY
France: Procter & Gamble France
Greece: Procter & Gamble Hellas A.E.
Italy: Procter & Gamble Italia, S.p.A
Japan: Procter & Gamble Far East, Inc.
Lebanon: The Procter & Gamble Manufacturing Company of Lebanon, S.A.L.
Mexico: Procter & Gamble de Mexico, S.A. de C.V.
Norwich Pharmacal Company de Mexico, S.A. de C.V.
Morocco: Moroccan Modern Industries
The Netherlands: Procter & Gamble Benelux
Peru: Deterperu, S.A.
Philippines: Procter & Gamble Philippine Manufacturing Corporation
Puerto Rico: The Procter & Gamble Commercial Company
Eaton Laboratories, Inc.
Saudi Arabia: Modern Industries Company
Modern Products Company
Spain: Procter & Gamble España, S.A.
Sweden: Procter & Gamble Aktiebolag
Switzerland: Procter & Gamble A.G.
United Kingdom: Procter & Gamble Limited
Venezuela: Procter & Gamble de Venezuela, C.A.

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TERM	DEFINITION
CONSUMER	- one who buys or uses goods and services
MARKET	- an estimate of the potential consumer demand for goods or services
MARKET RESEARCH	- the gathering of factual information and consumer opinions about products or services
REGULATORY AGENCY	- a group that establishes standards or guidelines giving benefits or imposing restrictions on business
CRYSTALLIZED	- to become converted into crystals
SHORTENING	- an edible fat used to make pastry dough tender and flaky
MOSQUE	- a building used for public worship by Moslems
ARCHIPELAGO	- an expanse of water with many scattered islands
CULTURAL	- of or relating to the customary beliefs, social forms and conduct of a racial, religious or social group
SUBSIDIARY	- a company controlled by another

Teacher's Note:

The words or terms listed are used in this unit. The definitions shown relate to the use of these words in the context of this unit. Use this list of definitions as a learning guide for students or, by covering the definitions and making copies for students, use it as a wrap up test.

INTERDEPARTMENTAL CORRESPONDENCE

FROM: INTERNATIONAL DIVISION DATE:

TO: MANAGER RETENTION LIMIT:

SUBJECT: INTERNATIONAL ASSIGNMENT ATTENTION:

You are a manager in Procter & Gamble's headquarters in Cincinnati, Ohio. Your company, which produces consumer products such as soaps and detergents, toilet goods, disposable diapers and beverages, as well as industrial brands in the U.S., also has local operations in 23 more countries and markets its products in over 100 other countries around the world.

The company's practice has been to staff these international operations with nationals of the host country. Occasionally, however, a U.S. manager's training, background and know-how are needed in a particular situation abroad. So, with your consent (and, if you are married, your family's willingness to go along), you have been transferred overseas.

Before you left the U.S., the Personnel group in the International Division provided you with information on the country to which you are being transferred—customs, culture and how to live in and get around in the country.

Language and cultural training for you, your spouse and adult children, i.e., those 14 years of age and older, were available at company expense as part of your departure preparation. The language training was also available after your arrival in your new location.

Personnel worked with you on moving details—selling or renting your house, storing or moving your furniture, disposing of your cars. They advised you on clothes, other belongings to take and they arranged for the receiving organization to welcome you and help you get settled.

In the course of preparing to work abroad you have also been made aware of these basic guidelines your company follows in its international operations:

1. Never forget that we (you and the company) are a guest of the country—bound by its laws and obliged to do our very best to blend our company's overall policies and procedures with local customs, mores, and practices—without the need to compromise either.
2. Always be sensitive and responsive to the social and economic conditions in the country.
3. Employ citizens of the host country who are qualified applicants.
4. Give all employees the maximum opportunity to rise to higher positions, not only in their own country, but also in other company organizations around the world.
5. Compete vigorously, but fairly, with local competitors. Compete in ways that will lead these competitors to respect our integrity, as well as our ability.

6. Work to achieve a reputable local identity.
7. Operate a well-managed, efficient, and profitable business that serves consumers well by offering products of the highest quality, designed to meet their specific wants and needs. Providing consumers with superior products, fairly priced, is far more than a social responsibility for our type of business—it is the essential ingredient for success.
8. Operate steadily, assuring not only regular but meaningful work for our employees, so that each can see how he or she is contributing to the success of the business.
9. Maintain harmonious relations with our employees and the communities in which we operate. Harmonious relations require a willingness to listen, an effort to understand, and a desire to be cooperative.
10. Pay good wages and salaries in line with responsible local practices in the communities where we operate.
11. Purchase equipment, supplies, and services locally when it is economically feasible to do so.
12. Maintain a physically attractive plant and office facilities.

International Questions

I. CANADA

Situation I: Problem
Solution
Situation II: Problem
Solution
Situation III: Problem
Solution

List the facts about the culture of this country that differ from ours: _____

_____

_____

What do these differences tell you about the people? _____

_____

_____

II. UNITED KINGDOM

Situation I: Problem
Solution
Situation II: Problem
Solution
Situation III: Problem
Solution

List the facts and implications: _____

_____

_____

III. GERMANY

Situation I: Problem
Solution
Situation II: Problem
Solution
Situation III: Problem
Solution

List the facts and implications: _____

_____

_____

IV. PHILIPPINES

Situation I: Problem
Solution
Situation II: Problem
Solution
Situation III: Problem
Solution

List the facts and implications: _____

_____

_____

V. SAUDI ARABIA

Situation I: Problem
Solution
Situation II: Problem
Solution
Situation III: Problem
Solution

List the facts and implications: _____

_____

_____

VI. MEXICO & SOUTH AMERICA

Situation I (Mexico): Problem
Solution
Situation II (Peru): Problem
Solution
Situation III (Venezuela): Problem
Solution

List the facts and implications: _____

_____

_____

CANADA

BACKGROUND INFORMATION: Procter & Gamble Inc., is the Canadian operation of The Procter & Gamble Co. It was incorporated in 1915 and has headquarters in Toronto, Ontario, and manufacturing plants around the country. P&G Inc., produces laundry, cleaning, food, personal care and paper products.

Situation I

Since many P&G products in Canada are identical to those in the U.S. and satisfy the same consumer needs and wants in the two countries, the advertising can be positioned similarly.

In some cases, however, Canadian and American consumers single out different product benefits which are important to them. For example, Canadians love desserts —cakes, pies and pastries—which are made from scratch, and they do not eat fried foods as often as Americans. How should we present our advertising of Crisco Shortening to Canadian consumers?

Situation II

It is 1973 and Pampers is Canada's number one disposable diaper. But the market is not the same as the one in the U.S., says the Manager of Product Development in the Personal Care Division of the Canadian Company. According to the manager, the main competitor is still cloth diapers which are popular gifts for expectant mothers. Almost all new mothers, therefore, have a ready supply of cloth diapers on hand.

Market Research studies show that Canadian mothers underestimate the amount of Pampers they will need and run out before they can get to the grocery store. When they do, they go back to their old habit of using cloth diapers. We want to discourage this so we have decided to try to increase the in-home inventory of Pampers. How can we do this?

Situation III

Although Canada is within easy driving distance of many parts of the U.S. and most of its residents speak English, it is a country with its own special customs and cultures. In fact, French is the native language of one-fourth of Canadians. Just over 80% of the French-speaking Canadians live in Quebec. How can we make sure all Canadians know how to use our products?

Toronto skyline

CANADA

Solution I

While not ruling out the brand's use in frying, we place our major promotional effort towards using Crisco Shortening for baking. Baked goods and their recipes are featured prominently on the product label; television commercials spotlight delicious desserts made with Crisco. In addition to the 3 lb. can, Crisco is also packaged in one-pound blocks, like butter or margarine, for easy measuring.

Solution II

We developed a new size package. In order to increase in-home inventory, P&G Canada redesigned the regular Toddler size package by doubling the diaper count from 12 to 24. That required a change in manufacturing equipment, but a test market started in 1977 showed the new package had business-building potential. The change was adopted nationally one year later and was promoted widely through newspapers and magazines and TV advertising. More recently, the largest size was doubled again, making the diaper count 48.

Solution III

We created a French Advertising Services group to ensure that all advertising and promotional material for use in Quebec is prepared with the French culture in mind and is properly adapted to the French language.

Additionally, all our Canadian packages—even those sold outside the Province of Quebec—are bilingual and carry instructions in French as well as in English.

In the case of Pert Shampoo, we discovered that the English word "pert" is closely related to the French word "perte" meaning "loss"—not a good connotation for a hair care product! The French word "pret," however, means "ready"—the perfect image for this product. Dual labels solve this particular problem, although most products carry both languages on the same label.

UNITED KINGDOM

BACKGROUND INFORMATION: Procter & Gamble came to the United Kingdom in 1930—its first investment outside North America. In the UK, Procter & Gamble Limited's headquarters and our Technical Centre are at Newcastle upon Tyne. There are three plant locations and a network of sales offices. In the UK, the Company develops, manufactures and markets soaps, detergents, personal care products, foodservice and industrial cleaning brands, and industrial chemicals.

Situation I

World War II has ended, store shelves are filled with products again, and consumers are reporting a problem with Drene Shampoo. They say that Drene is not always clear—that little crystals are being found in the bottles. Some consumers have sent in their bottles of crystallized shampoo. When we check the bottles on store shelves, none have ever been crystallized. We suspect something is happening in consumers' homes, or between the time consumers purchase the shampoo in the store, get it home, then use it. However, we don't know what it could be.

We have thought of things like a reaction when water or other substances drip into the shampoo bottle, but this could happen in the U.S., and we haven't had this problem there.

Is there something about English homes that is different from American homes? How can we find out?

Situation II

It is 1953 in England and we are looking for a new way to reach British consumers. Television is brand new. From its initial success we suspect that it will be an advertising medium someday. But right now not many consumers have TV sets.

We often advertise on the radio in the U.S., but commercial radio is not available in England so commercials must be beamed in from Luxemburg. We do advertise in newspapers in England, but not everyone is reached by these. What other method can we use to get our message to more British consumers?

Situation III

It is 1982 and Pampers disposable diapers are about to be introduced in the UK. Currently, however, the most popular diapering products are "nappies"—thick absorbent towels which are washed and re-used over and over again. So, most British consumers are not even aware of something called "disposable diapers."

In order to help create awareness of disposable diapers, and to make sure they are in the stores when we begin advertising, we must get Pampers immediately placed or demonstrated in the thousands of small drug stores not regularly called on by our sales people and not likely to be covered at the start of selling by wholesalers. But we have only 100 sales representatives and they are already busy with our other products. What can we do?

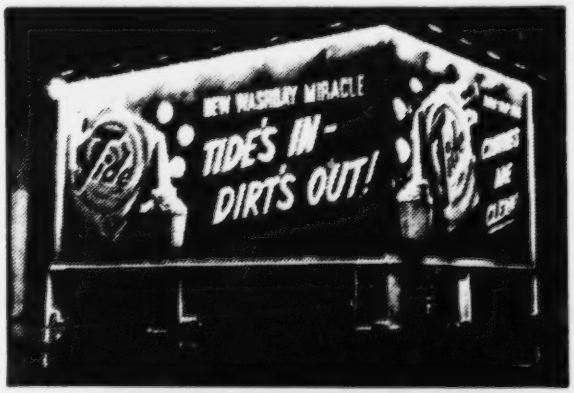
UNITED KINGDOM

Solution I

We conducted Market Research with British consumers, i.e., we had trained interviewers question consumers about their use and storage of the product. We discovered most people left their shampoo in the bathroom, as would be expected, and since we found no other information, we decided to leave thermometers in English bathrooms. When we discovered that about a third of British bathrooms dropped below 40° Farenheit on winter nights, we tested Drene for freezing temperatures. Sure enough, it crystallized. We developed a new formula to eliminate the problem.

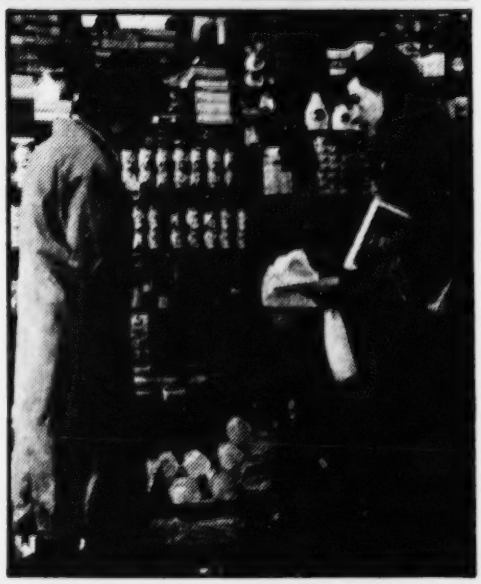
Solution II

We used giant outdoor signs to carry our advertising messages. In the early 1950's, there was quite a bit of competition in using this method.



Solution III

We created a temporary sales force made up of volunteers from departments throughout the Company. They attended a one-day Pampers sales seminar and then set out in a fleet of hired cars to call on retailers during the first two weeks of the Pampers introduction. They all had territories assigned to them and worked from registers taken from the British telephone "Yellow Pages" to locate stores in their area. The result? Almost 1000 extra orders and many thousands of demonstrations of Pampers in the stores, paving the way for orders in the future.



GERMANY

BACKGROUND INFORMATION: Procter & Gamble GmbH is the German subsidiary of the Procter & Gamble Company. ("GmbH" is the German equivalent of "Company/Limited.") It was established in 1960. With headquarters in Schwalbach, near Frankfurt, and manufacturing locations around the country, P&G GmbH produces laundry, cleaning products and disposable diapers.

Situation I

We learned early, through market research studies, that European consumers prefer to buy products in large quantities. "The neighborhood grocery store where people shop daily is still very popular, but most people shop once or twice a month for staples in large mass merchandising stores called *verbrauchermärkte*—a combination of grocery, drug and department store under one roof," reported our Packaging Director. What packaging change could we make to serve the needs of German consumers?

Situation II

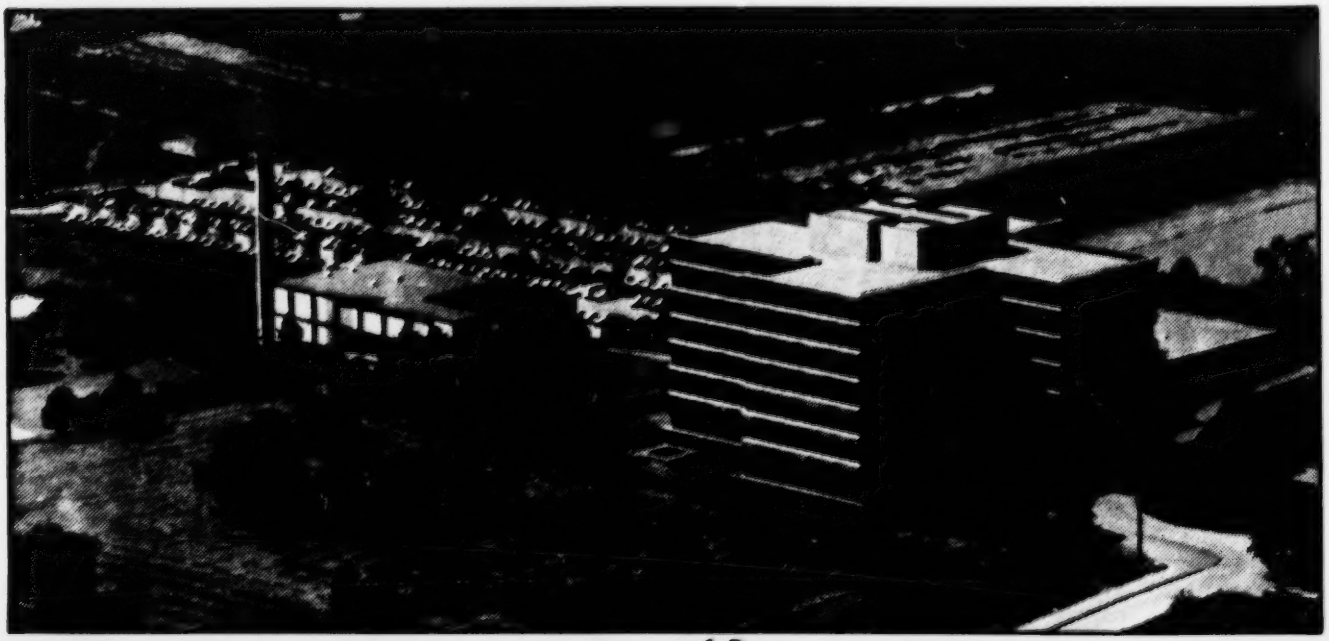
It is the early 1970's and Pampers is ready to be introduced in Germany. Based on years of experience, we know that television advertising is a key element in getting new product information quickly to consumers. But German law greatly restricts the availability of television advertising time to advertisers, and the broadcast stations which are public companies decide how much TV time each company gets. The introduction of a new brand is not normally seen as a reason to increase a company's usually modest allocation.

Knowing the advantages of Pampers, how can we meet the challenge posed by these restrictions?

Situation III

We are in the early 1960's and are finding it isn't easy to build P&G's business in West Germany. Early market research studies show that a direct transfer of U.S. detergent technology will not be enough for success. Many West German households have begun to trade their old, partially automated, upright washers for newer, totally automated drum machines. These machines will not work efficiently with the high suds level of American detergents. What should we do?

P&G Headquarters near Schwalbach.
Mago luftbild, freigeg. Reg. Präs.
Münster, Nr: 871/83



GERMANY

Solution I

We developed large carry-cartons of detergents holding up to 10 kilos (23 pounds). Similarly, carry-cartons and value packs of Pampers, which contain as many as 156 disposable diapers, have been introduced.

Solution II

Just as individual groups or companies write their Congressmen or present information to regulatory groups here in the U.S., so P&G in Germany presented a special case to the broadcast stations. We requested the stations to make an exception for Pampers because of the brand's social benefit. Outside experts supported us. The case was made that Pampers: frees mothers from hours of drudging labor needed to wash, dry and fold cloth diapers, thus giving them more time to spend with their babies; reduces the health hazard in the home caused by a pail-full of soiled diapers; and improves the skin care standards of babies.

Result? The broadcast stations made an exception to their limited TV advertising policy and we received extra TV advertising time for Pampers.

Solution III

We assigned P&G scientists to develop a new low-suds detergent formula. The product had to be one that would perform well in the wide range of water temperatures used in the newer, postwar washing machines; cool-medium water for the pre-wash cycle to boiling hot (due to built-in heaters) during the wash cycle. In 1963, we introduced our first low-suds product, Dash. In 1967, we introduced Ariel, an enzyme-containing detergent. (Enzymes are proteins; they are used in detergents because of their ability to break down certain soils and stains, making them easier to remove by the other detergent ingredients and by the washing action.)

PHILIPPINES

BACKGROUND INFORMATION: Procter & Gamble Philippine Manufacturing Corporation is a wholly-owned subsidiary which began operations in 1935. Its Plant and General Offices are separately situated in Metropolitan Manila, the business hub of the country. P&G PMC's main products are detergents, soaps, margarines, toothpaste, shampoo and industrial shortening. It also exports large quantities of coconut oil to the U.S. and Europe.

Situation I

The Philippines is an archipelago of about 7,100 islands, stretching some 1,150 miles from north to south; 95% of the population live in the eleven largest islands. This is the 1950's and there is still no national media. TV is just being introduced in the market. Even radio coverage is limited to only certain areas. There are ten major, and about seventy minor, dialects spoken. Thus, it happens that Filipinos living less than 50 miles apart speak different dialects. However, English is an effective means of communication since it is taught in many schools. Under these challenging conditions, how can we get our advertising message across to consumers?

Situation II

It is 1953. We have noticed that the printing on our Camay soap wrappers has been fading badly in the stores. There are no supermarkets at this time. Typical stores, called "sari-sari" (variety) stores, are small neighborhood shops with one or two attendants handling customer purchases. In trying to understand the fading problem, we have asked our field salesman to send us all the information they could possibly gather. They tell us that as a tropical country, Philippine weather is generally hot and humid. They sent us pictures of Camay displays which appeared to be getting a lot of sunlight exposure. Some displays were placed outside the stores. What can we do to solve the wrapper fading problem?

Situation III

It is the 1950's. Ordinary bar soaps are practically the only products available for laundry. Laundry in the Philippines has traditionally been done by hand whereby fabrics are individually washed. Using a basin, women do laundry in their backyards. In rural areas, it is common to see women washing clothes in rivers and streams. What can we do to facilitate the laundry task and to improve cleanliness of clothes?

PHILIPPINES

Solution I

We used a fleet of sound trucks. These trucks are equipped with power generators, public address systems, tape recorders, sound movie projectors and screens. The roving trucks provide musical entertainment and show educational motion pictures in English. Between breaks, we air advertising for our various products. We pioneered the use of different dialects to suit particular areas. Through this field advertising approach, we achieved our objective of delivering our product message to a great number of consumers.

Solution II

Pictures of Camay displays provided us our first clue. After more extensive trade surveys, it was established that soaps and other products were generally exposed to many hours of direct and indirect sunlight, coupled with high humidity. Researchers back in Cincinnati tried to duplicate the effect through laboratory tests using heat chambers. We then searched for fade-resistant dyes and pigments. These were tested in the laboratory under simulated Philippine conditions. After development work was completed, the new dyes and pigments were used for Camay wrappers. The fading problem was solved.

Solution III

In 1957, we introduced Tide, the first detergent product made in the Philippines. Tide revolutionized laundry for Filipino consumers by making the process easier and more effective. Better cleaning performance was achieved, with less mechanical effort (less hand rubbings). Thus, Tide quickly became a dominant product.

In 1975, we introduced a detergent bar called "Mr. Clean." This product form is ideal under Philippine hand-wash conditions. It has the superior cleaning performance of a detergent and the economy of a bar soap since the consumer has excellent control on product usage. Today, detergent bars comprise the bulk of the Philippine laundry products market. Mr. Clean and Tide are leading brands in the market.

SAUDI ARABIA

BACKGROUND INFORMATION: P&G's operations are joint ventures with Saudi Arabian partners in what is called the Modern Industries Company (MIC) and Modern Products Company (MPC).

MIC - Jeddah was founded in 1961. Its plant is located on the Mecca Road and produces laundry detergents and toilet soap.

MIC - Dammam began operations in 1979 and is situated in an Industrial Estate where laundry detergents, dishwashing liquids and shampoos are produced.

MPC - Jeddah began operations in 1984 and is situated in an Industrial Estate where disposable diapers are produced.

Situation I

It is 1978 and we are building a new plant in Dammam, Saudi Arabia. We have encountered some interesting problems. Moslems are required by their religion to pray five times daily and law requires employers to provide a place they can go to for prayer. There is no nearby Mosque since the new plant is located in the desert, 20 miles from the nearest town. What should we do?

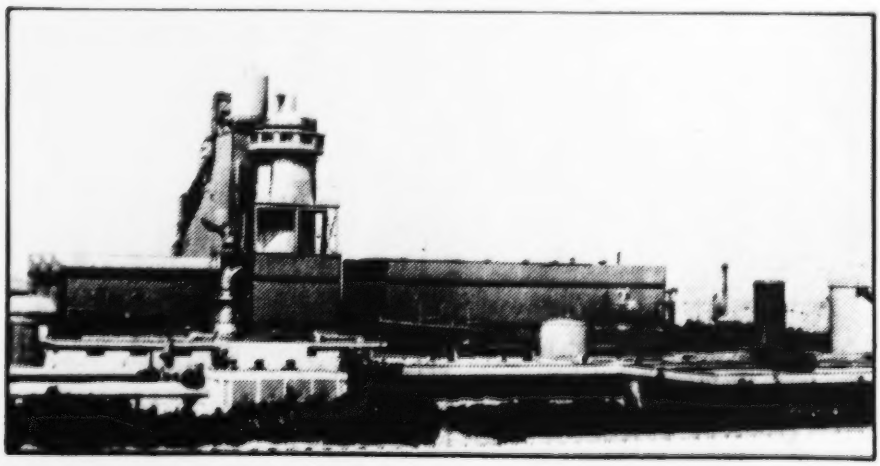
Situation II

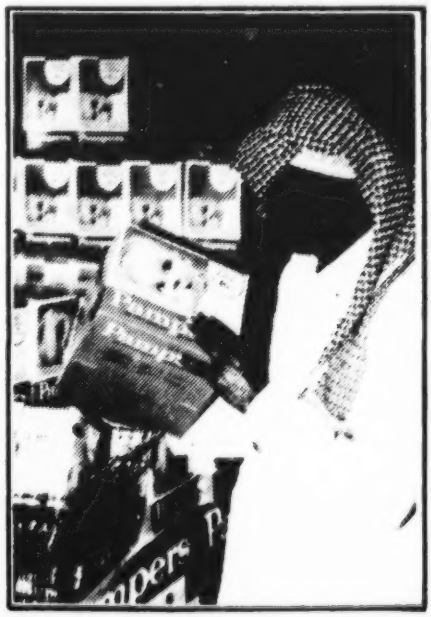
Before construction began on our 25-acre plant site in Dammam, the area was an empty plot of land in the heart of the desert. Void of water, electricity, sewers and telephones, the plant site is almost 20 miles from the nearest commercial or residential activity.

We have remedied the water, electricity and sewer situation but we still have no telephone or telegraph in the plant. How shall we communicate with the outside world?

Situation III

Our products are designed to be used by consumers in their homes. We have found the best way to advertise them in magazines is to show consumers using them. And women are important consumers. But the local culture does not permit showing the unveiled face of a woman. How can we include women in our ads without showing their faces?

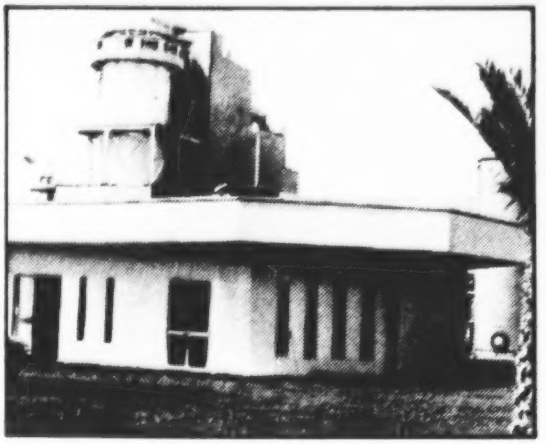




SAUDI ARABIA

Solution I

We built a small building behind the plant which serves as the plant prayer room.



Solution II

We use shortwave radio to communicate with the outside world.

Solution III

- Suggest the presence of a woman by showing her hand in the picture, or an article of clothing, i.e., a scarf.
- Superimpose the picture of a child (this is allowed) with mother's hands to convey the message: hands as soft as a child's complexion.

MEXICO & SOUTH AMERICA

BACKGROUND INFORMATION: Procter & Gamble de Mexico was incorporated in 1948, P&G de Venezuela in 1950 and P&G's operation in Peru, Deterperu, in 1956. Our General Offices are located in Mexico City, Caracas and Lima, respectively. Detergents, toilet bars, shampoos and dentifrice are among the products manufactured in these countries.

Situation I - Mexico

P&G's first operation in Mexico was set up in an old mill which the company purchased. Hanging at the entrance was a picture of the Virgin of Guadalupe. Many Mexican people have a keen and deep religious devotion to the Virgin of Guadalupe.

As the Mexican factory expanded the picture has been moved from one spot to another—from above the employee check-in clock to the warehouse, the packing room, and other departments.

Wherever the picture was located, the hourly workers decorated the area around it with flowers and ornaments. They blessed themselves as they walked past the picture. A committee of hourly workers initiated the custom of organizing a pilgrimage to the Guadalupe Shrine outside Mexico City each year, with employees carrying the well-honored picture.

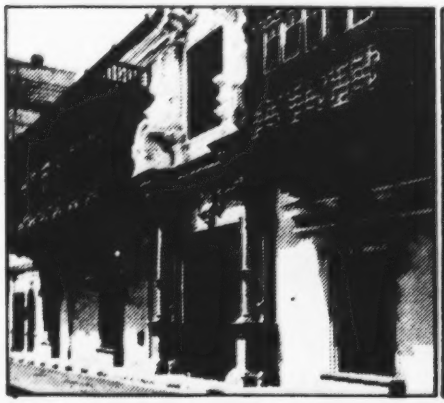
One of the employee committees came up with the idea of building a permanent home for the picture on the company's grounds. The committee has taken up a collection and has enough funds to buy the materials to build a chapel. The committee is now seeking company agreement and financial support. What should we do?

Situation II - Peru

The general offices of our Peru operation are located in Lima. The group representing the female clerks approached the company asking that P&G provide uniforms. Management agrees that this might enhance the appearance and impression of order in the office. A large number of companies already provide this benefit. However, there is some concern that agreeing to uniforms might create problems, i.e., selection of colors and design, and all employees might not be willing to wear a uniform. What should we do?

Situation III - Venezuela

It is 1952 and we are preparing to start sales of our powdered detergent ACE (Ah-Say) in Venezuela. We are planning to package the product in carton boxes as we do in other countries. However, we are convinced that even the smallest of precartoned sizes will be too expensive for a large segment of our population. We cannot make a smaller size package in cartons since the cost would not allow us to significantly lower the price to the consumer. How do we keep ACE at a price affordable to all consumers?



MEXICO & SOUTH AMERICA

Solution I - Mexico

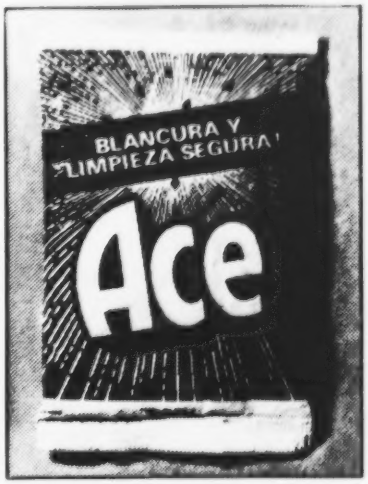
The company agreed to the chapel to house the picture of the Virgin. The company provided additional funds for the chapel. Workers continue to have the opportunity to pay their respects and worship informally. The company recognized a custom that was strongly held for several hundred years by many Mexicans.

Solution II - Peru

A large majority of the female employees favored a uniform so the Company agreed and provided them.

Solution III - Venezuela

We introduced Ace to the Venezuelan market with a very small size package in pouches, along with the three carton sizes. The pouch was made of a paper/ plastic laminate which was much cheaper than cardboard and we packed this product in the pouch. In this way we could sell Ace at one-third of the cost of the smallest carton size so it would be more broadly affordable.



1. You are about to study cultures and how differing cultural expectations can cause misunderstandings between groups from different countries. It is particularly important for a business to understand the effects of these differing cultural expectations if they expect to conduct operations in other countries.
2. The first step in identifying cultural differences is to identify your own cultural assumptions. Brainstorm cultural behaviors and practices of U.S. business people. Use your knowledge of business behavior from family, friends, television and movies to describe cultural expectations in the following areas:
   - What personality characteristics do you associate with a successful business person? What does a person do to express these personality characteristics (e.g., smile, shake hands, laugh, listen intently, ask questions, etc.)?
   - How does body language express the "successful businessperson" image (e.g., handshaking or other interpersonal contact, body movement, "talking with hands," etc.)?
   - What rituals and/or expectations are connected with food in a business situation (e.g., coffee, business lunches, dinner meetings, etc.)?
   - What other characteristics typify the practice of business in the U.S. (e.g., telephone calls, travel, meetings, etc.)?

BACKGROUND INFORMATION: JAPAN

When you plan a visit or work in a country whose culture and traditions differ from yours, it is important to try to gain a general understanding of the country and its people in advance. If not, without meaning to, you could offend or embarrass your hosts or yourself. Your own cultural background and training, for example, may lead you to see and do things one way. Because of their cultural training and background, people of your host country may see and do things another way.

Since it is so important to be sensitive to traditions and customs, your company has provided the following general information. It is drawn from "A Handbook on Non-Verbal Communications for Teachers of Japanese" by Thomas S. Sebeok and Sahnny Johnson. It is very general in nature and is not intended to describe every situation or to say that all Japanese will react or behave in this manner. However, it provides a general overview of the culture and traditions of the country and is designed to offer some guidelines as you begin to work in your host country.

— The Japanese people, in general, pay much attention to formalities. They believe it is important to know who is in charge at all times, and to understand each person's rank in the hierarchy. But this does not mean that the "boss" makes all the decisions and those under him conform. The Japanese generally feel it is very important to reach consensus. The entire group will make a strong attempt to reach a mutually acceptable plan or solution to a problem. Americans who rush in and try to make suggestions or get their own way are considered very rude. Most Japanese will spend a lot of time trying to "get a feel for the situation" before moving on to business or serious discussions.

— Handshaking is rare in Japan. As a result of familiarity with Western manners, a Japanese businessman might offer his hand to a Western visitor, but the visitor is wise to wait for the gesture rather than forcing the issue by pointedly extending his hand.

— Bowing is an important part of nonverbal communications in Japan. The bow in the Japanese culture is, at heart, an exchange of respect and humility and the deeper and slower the bow the greater the respect. Most Japanese use the bow in situations where Americans use handshakes and in many, many other situations as well. It is an integral part of introductions, greeting friends, leave taking, showing respect, presenting or accepting gifts and favors, doing business.

— While most Americans like to get within easy handshaking distance of each other while talking, most Japanese prefer a safe bowing distance—a distance sufficient to allow a head-on bow without risk of injury. Therefore, if an American notices that the Japanese person to whom he is talking edges away it may not signify dislike or the desire of escape but merely to get comfortable.

— In talking with one another, most Americans are accustomed to more eye contact than are Japanese. Because of this difference it may seem to the Japanese to be staring. The difference is important to an American in Japan for reasons beyond mere politeness. In contrast to our preconception that "looking someone in the eye" conveys honesty and lack of guile or evil purpose, in Japan it can be taken as a sign of overt hostility, especially between men, and can even, in extreme cases, lead to a fight.

— During a conversation many Japanese will show their interest and attention by nodding and repeating the Japanese word "hai" very frequently. This does not mean that they agree with everything; it actually means "I'm listening, I understand."

— Another difference between Japanese and American styles of communications is that most Japanese have a much higher tolerance for silence. There are many pauses between sentences and speakers in most Japanese conversations. A silence means you are seriously listening to the other person. Sometimes Americans will be uncomfortable with the moments of silence and think they should keep talking. The polite Japanese person could then feel that his or her conversation was interrupted.

— The Japanese, in general, are more cautious than the average American about their facial expressions. The range of facial expressions most commonly seen by strangers in Japan extends from a neutral and passive face to a polite half smile. In general, women smile more than men, so

that a boy, when approaching adulthood might be told "Don't smile so much—you're a man." Too much smiling in a man is thought to connote frivolousness and a lack of a serious nature. Therefore, a man is likely to adopt a neutral facial expression especially in serious situations.

(From "A Handbook on Non-Verbal Communications for Teachers of Japanese," by Thomas S. Sebeok and Sahnny Johnson.)

BACKGROUND INFORMATION: SAUDI ARABIA

When you plan to visit or work in a country whose culture and traditions differ from yours, it is important to try to gain a general understanding of the country and its people in advance. If not, without meaning to, you could offend or embarrass your hosts or yourself. Your own cultural background and training, for example, may lead you to see and do things one way. Because of their cultural training and background, people of your host country may see and do things another way.

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— There is wide variation in the Saudi people—their customs, their actions, and their ways of life. They vary from herding nomads to village inhabitants, to sophisticated, modern, and often highly educated dwellers of cities and suburbs. One binding element unites them: the fervor of their religion. (Arabia is the birthplace and fountainhead of Islam.) It will be constantly visible to you as you see and hear them pray, some as many as five times a day; it is a fundamental part of their lives.

— The matter of pace is for many Westerners the most difficult adjustment to the Middle East. It has been said: If you are in a hurry in the Middle East, don't bother. The Arab phrase is: Haste comes from the devil. Patience is a master key for the area. If you wait patiently for an appointment—just settle down, stay there and wait—there will be no problem. When it is time for your appointment the people with whom you are meeting will be extremely courteous. They will expect you to be also. Visible annoyance will only be counter-productive.

— Theoretically, the employment of women has always been forbidden, though it has been tolerated at times because of labor shortages. Recently the Arabic daily, *Al-Rihadh,* quoted the Planning Ministry as saying that the third Five Year Plan will appoint more women to "women" jobs, i.e. those in social welfare, girls' education, and particularly, in the health field.

— Most Arabs are enormously private in their homes and about their private lives and their own persons. But once they are in the public arena, privacy means nothing. You may think your business is confidential; your friend probably will not. Don't be upset. Relax, have tea with everybody, ask if all is well and then talk business openly and freely. If the confusion is too much, try to sit close to the man you wish to see so you can quietly talk with him, between interruptions.

— When it comes time to actually sign a contract, things are likely to become more confidential. Paperwork, however, is considered by most Saudis to be "routine" and is therefore left to mid-management workers. It is the Saudis' job to mastermind, to make contacts, to make decisions but then to bow out when it gets down to details.

— Business cards are essential in Saudi Arabia because they provide data you may not find anywhere else. Many Arabs have unlisted telephone numbers and private addresses. Your file of cards can become your private business directory. Cards are printed in two languages, your own on one side and Arabic on the other.

You should present you own card immediately upon meeting an Arab. Be sure that the Arabic side is presented face upwards. The Arab will usually return your courtesy by presenting his card with your language facing upward.

— Both class and rank are very important to most Arabs. This becomes rather clear at doorways as people pass through by status, the senior (ranking) men going through first, being followed by the next and then the next in hierarchy. However, as a guest you will probably be ushered through first.

— Most Arabs carry on conversations at very close range—about 10 inches apart. Also, interrupting is not offensive if the interrupter has the priority and the right to do so. While talking with you an Arab may continue moving

in to talk at closer range. This will be partly to edge out anyone trying to horn in, and also partly because physical closeness is the way to be sure you are being heard.

In addition, most Arabs engage in much bodily contact. They like to tap a person, rest a hand on an arm, an arm on an arm. This is taken as an assurance of attention or a means of emphasis, a way to make a point or express a feeling. But it is never done obviously, like slapping the back or prodding the ribs to emphasize a point or a joke.

— Hands and gestures—as well as eyes—are used deliberately and carefully. Talking with one's hands, gesticulating widely, is considered to be impolite. Arabs use the right hand for eating, shaking hands, passing a document across the table, etc. Foreigners should train themselves to keep both hands quiet as they talk lest their gestures be misunderstood or, unwittingly, be in bad taste.

— Don't worry about periods of silence in business negotiations. They are frequent and normal. One must be able, however, to discern between a long and thoughtful silence and the end of the interview. Usually this is easy because most meetings end with a cup of coffee.

— Keep "visible respect" in your mind. Most of us learned good manners when we went to visit our grandparents. That kind of demonstrated respect and courtesy goes far in any new cultural environment. In Arab eyes, for example, the courteous procedure when a man leaves your office (or your home) is for you to walk with him at least to the door of the building, better yet to the car, with smiles, and polite statements spoken with warm feeling. Shaking hands at the door of your own office and turning back to your desk without seeing him out—at least part way—may seem brusque and rude to him.

(From "Update: Saudi Arabia" by Alison R. Lanier.)

Scenario One: The Hosts (Japanese and Saudi Arabians meeting with U.S. business people in their offices)

At 10:00 this morning you have a meeting in your office with a group of American business people. They are visitors to your country and you wish to be good hosts. You have been working with their company for some time, but you have never met these people.

Your cultural traditions are very strong, and even you do not realize how ingrained they are. You know these American visitors may not know all your traditions, but you will probably be offended when they behave in improper and inappropriate ways. You are somewhat nervous about this meeting because you have to solve a major disagreement in your business relations. You will be cooperating in building a factory, and you wish it to be built in your town. The Americans want it built in a town on the other side of the country. You are very willing to work cooperatively to find a solution that will satisfy both groups.

• • •

Scenario Two: The Visitors (U.S. business people meeting with Japanese & Saudi Arabian business people in their countries)

You are a group of American business people visiting another country to do business. You are aware of the effects of cultural differences on business situations, and will try not to break any of the "unspoken rules" of behavior in your host country.

The purpose of your visit is to set up a new factory, run by representatives from your company and your host country's counterparts. However, you are having a disagreement about where the factory will be located. Your hosts want it to be built in their hometown, and you want it to be built in a city on the other side of the country.

You and your colleagues have a meeting at 10:00 in the morning with your foreign counterparts in their offices. You are anxious to get this issue settled as soon as possible.

USING PERSPECTIVES TO DISCUSS ECONOMIC CONCEPTS AS A KEY TO HISTORICAL DEVELOPMENTS

International Operations can be used in developing student awareness of a number of economic principles or realities which are implicit in this unit's student activities. By way of example, an explicit statement of some of these principles and realities follows:

A. Sensitivity to the social and cultural needs of workers and a country as a whole can be as important to the success of an enterprise as the price, quality and effectiveness of its product.

B. What is produced and in what shape, form and formula depend on local market conditions—for consumer preferences and needs can differ within one country or from country to country. Similarly, the local conditions under which a product can be produced and sold can also vary.

C. Other important considerations include such realities as the availability of employees, natural resources, and the customs and laws of a country or a region within a country.

The challenge facing an enterprise is to find the combination of factors that will make it possible to operate successfully in a particular country.

For example, in some countries wages will be high because the number of workers available is limited. In such a situation a company would have to rely on sophisticated, high-speed, and often expensive machinery which requires few workers. In other countries, wages may be low because of an abundant number of available workers, and therefore, the investment may not be as great.

As your class works through the student activities it will become aware of the reality that there is more to "setting up shop" in another country than putting out a "for sale" sign.